

Message Text

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ACTION STR-04

INFO OCT-01 EUR-12 EA-07 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

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INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 AF-06 /116 W

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TO SECSTATE WASHDC PRIORITY 3655

INFO USDEL MTN GENEVA PRIORITY

USMISSION OECD PARIS

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E. O. 11652: N/A

TAGS: ETRD, GSP, JA

SUBJ: REQUEST FOR BACKUP INFORMATION ON HOST COUNTRIES GSP SCHEME

REFS: A) TOKYO 13455 B) STATE 223121 C) STATE 222799

1. ON SEPTEMBER 26 EMBOFF MET WITH FONOFF REPS (MARUYAMA, DEPUTY DIRECTOR, AND NISHIKAWA OF FIRST INTERNATIONAL ECONOMIC AFFAIRS DIVISION, ECONOMIC AFFAIRS BUREAU) TO REVIEW JAPAN'S GSP SCHEME.

2. RE BASIC FEATURES OF JAPAN'S GSP, FONOFF REPS SUGGESTED FOLLOWING CHANGES TO DEPT'S SUMMARY TRANSMITTED PARA 2 REF B; WHERE APPROPRIATE, EXPLANATIONS FOLLOW SUGGESTED CHANGES:

A. PRODUCT COVERAGE: CHANGE LAST CLAUSE THIS PARAGRAPH TO READ QTE ARTICLES OF APPAREL OF LEATHER, PLYWOOD, RAW SILK OR WOVEN FABRIC OF SILK, AND FOOTWEAR UNQTE.

B. DEPTH OF TARIFF CUTS: NO CHANGE.

C. SAFEGUARD MECHANISM: (1) FIRST SENTENCE SHOULD READ QTE A
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PRIORI LIMITATION (CEILING QUOTA) FOR PRODUCTS IN BTN 25-99, AND IN

ADDITION, AND EMERGENCY TARIFF MEASURE UNQTE.
PARENTHETIC EXPRESSION QTE (CEILING QUOTA) UNQTE IS ADDED TO DESCRIBE KIND OF A PRIORI LIMITATION. NEW SECOND CLAUSE QTE AND IN ADDITION, AN EMERGENCY TARIFF MEASURE UNQTE IS ADDED TO CLARIFY FACT THAT BASED ON EXISTING GOJ LAW, IN CASES WHERE A CONSPICUOUS INCREASE IN EXPORTS FROM A GSP BENEFICIARY COUNTRY POSES A DANGER OF SERIOUS DAMAGE TO JAPANESE INDUSTRY, OR IN CASES WHERE SUCH INCREASE AND DAMAGE IS EXPECTED, PREFERENTIAL TARIFF TREATMENT MAY BE SUSPENDED EVEN BEFORE CEILING QUOTA WITH RESPECT TO ANY PRODUCT OR PRODUCTS OR MAXIMUM AMOUNT FROM ANY BENEFICIARY COUNTRY OR COUNTRIES IS REACHED. WHERE THE PREFERENTIAL TARIFF IS 50 PERCENT OF THE MFN RATE, THE TARIFF RISES TO MFN LEVEL; WHERE THE PREFERENTIAL TARIFF IS ZERO, IT RISES TO 50 PERCENT OF THE MFN RATE. FONOFF REPS STRESSED THAT THIS LEGAL AUTHORITY HAS NEVER BEEN USED TO SUSPEND BENEFITS UNDER GSP.

(2) SECOND SENTENCE SHOULD READ QTE ESCAPE CLAUSE IS APPLIED TO PRODUCTS IN BTN 1-24 UNQTE. ADDITION OF WORDS QTE IN BTN 1-24 UNQTE IS NECESSARY TO CLARIFY POINT THAT EXCESSIVE IMPORTS OF BTN 25-29 ITEMS MAY BE PREVENTED BOTH BY CEILING QUOTAS AND BY EMERGENCY TARIFF MEASURE DESCRIBED ABOVE. EXCESSIVE IMPORTS OF BTN 1-24 ITEMS ARE PREVENTED ONLY BY NORMAL ESCAPE CLAUSE ALONG LINES PROVIDED BY GATT ARTICLE 19.

D. LIMITATIONS ON ELIGIBLE PRODUCTS: SECOND SENTENCE SHOULD READ QTE SINGLE BENEFICIARY IMPORTS LIMITED TO 50 PERCENT OF THE CEILING QUOTA UNQTE. POINT HERE IS THAT GOJ USES TERMINOLOGY QTE CEILING UNQTE OR QTE CEILING QUOTA UNQTE TO DESCRIBE GLOBAL LIMIT (EITHER VALUE OR QUANTITY, DEPENDING ON THE PRODUCT) ON IMPORTS OF A PARTICULAR PRODUCT WHICH MAY BENEFIT FROM GSP. GOJ USES TERMINOLOGY QTE MAXIMUM AMOUNT UNQTE OR QTE MAXIMUM COUNTRY AMOUNT UNQTE TO INDICATE FURTHER RESTRICTION TO EFFECT THAT NO ONE BENEFICIARY COUNTRY WOULD BE ENTITLED TO GSP BENEFITS ON EXPORTS TO JAPAN OF MORE THAN 50 PERCENT OF CEILING SET ON ANY ONE PRODUCT. THUS, GREATER CLARITY WOULD BE ACHIEVED WITH FOLLOWING LANGUAGE: QTE CEILING QUOTA APPLICABLE TO EACH INDUSTRIAL PRODUCT. GSP BENEFITS TO IMPORTS OF ANY PRODUCT FROM SINGLE BENEFICIARY LIMITED TO 50 PERCENT OF CEILING QUOTA UNQTE.

E. BENEFICIARIES: FONOFF REPS POINTED OUT THAT GOUL GSP BENEFITS ARE NOT RPT NOT ACCORDED NORTH KOREA, OMAN, OR SOUTH AFRICA. THEY ARE RPT ARE ACCORDED GUINEA BISSEAU.

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ACTION STR-04

INFO OCT-01 EUR-12 EA-07 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07

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3. RE QUESTIONS POSED PARA 3 REF C:

A. TRADE COVERAGE: IN JFY '74 (ENDING MARCH 31, 1975), USING AN AVERAGE EXCHANGE RATE OF 292.3 YEN/DOLLAR, JAPAN'S TOTAL IMPORTS WERE 62.536 BILLION DOLLARS; TOTAL IMPORTS FROM BENEFICIARIES WERE 33.039 BILLION DOLLARS; IMPORTS UNDER GSP WERE 1.3 BILLION DOLLARS. THUS, GSP TRADE COVERAGE AS PERCENTAGE OF TOTAL IMPORTS WAS 2.1 PERCENT; AS PERCENT OF TOTAL LDC IMPORTS, 4 PERCENT.

B. DEPTH OF TARIFF CUT: VARIATION FROM DUTY FREE TREATMENT AND APPLICABLE FORMULA ARE CORRECTLY SUMMARIZED IN REF B. FONOFF REPS SUGGESTED THAT IN VIEW OF THEIR IMPORTANCE TO LDC EXPORTERS, FOL-LOWING PRODUCTS SHOULD BE REGARDED AS PRINCIPAL PPRODUCTS NOT ZERO DUTY: BTN 1507-8, PALM OIL AND PALM KERNEL OIL; 0303-2-1, PREPARED OR PRESERVED FISH, INCLUDING CAVIAR; 2205-2, WINE OR FRESH GRAPES; 0704, BAMBOO SPROUTS, OTHER VEGETABLES INCLUDING ONIONS AND SHRI-TAKE MUSHROOMS; 1605-2, SHRIMPS, PRAWNS AND LOBSTER; 1208-2-3, EDIBLE SEAWEEDS; 1401-2, VEGTABLE MATERIALS OF A KIND USED PRIM-ARILY FOR PLAINTING; BAMBOO; 0407-1, SEA URCHINS (SEA CHESTNUT); 7601-1-1, UNQROUGHT ALUMINUM; 7102-2-2, PRECIOUS AND SEMI-PREC-LIMITED OFFICIAL USE

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IOUS STONES; 4405-4, WOOD SAWN LENGTHWISE; 5505-2-2, COTON YARN;
6005, OUTER GARMENTS AND OTHER ARTICLES; 4103-2, SHEEP AND LAMB

SKIN LEATHER; 4104-2, GOAT AND KID SKIN LEATHER; 5710, WOVEN FABRICS OF JUTE; 6102, WOMEN'S, GIRLS' AND INFANTS' OUTER GARMENTS; 4414-2, SHEETS FOR PLYWOOD; 6101, MEN'S AND BOYS' OUTER GARMENTS; 5802-2, OTHER CARPETS, CARPETING, RUGS, ETC., OF COTTON, WOOL, AND OTHER; 5311, WOVEN FABRICS OF SHEEP'S OR LAMBS' WOOL OR OF FINE ANIMAL HAIR; 4202, TRAVEL GOODS.

C. ESCAPE CLAUSE: FOR ESCAPE CLAUSE DESCRIPTION, SEE PARA 2C ABOVE. IMPORTS OF 41 SENSITIVE PRODUCT GROUPS ARE COMPUTED DAILY AND MFN RATES APPLIED TWO DAYS AFTER EITHER ANNUAL CEILINGS OR ANNUAL MAXIMUM COUNTRY AMOUNTS EXCEEDED; IMPORTS OF 125 PRODUCT GROUPS ARE COMPUTED MONTHLY AND MFN RATES APPLIED ON FIRST DAY OF SECOND MONTH AFTER CEILING OR MAXIMUM COUNTRY AMOUNT IS EXCEEDED.

D. PRODUCT COVERAGE: SIGNIFICANT EXCEPTIONS TO INCLUSION OF MANUFACTURED AND SEMI-MANUFACTURED PRODUCTS IN GSP ARE AS LISTED IN REF B.

E. TARIFF QUOTAS (I.E., CEILINGS AND MAXIMUM AMOUNTS) IN JAPANESE GSP ARE OFTEN WAIVED FOR PRODUCTS POSING NO THREAT OR INJURY TO JAPAN'S DOMESTIC INDUSTRY. IN CASE OF CEILINGS 118 PRODUCT GROUPS, AND IN CASE OF MAXIMUM AMOUNTS 122 PRODUCT GROUPS ARE ELIGIBLE FOR WAIVER, WHICH THE JAPANESE CALL FLEXIBLE ADMINISTRATION. DURING JFY 74, SOME EXAMPLES F WAIVER WERE BTN 25, SALT, SULPHUR, EARTHS AND STONE, PLASTERING MATERIALS, LIME, AND CEMENT; 27, MINERAL FUELS, MINERAL OILS AND PRODUCTS OF OTHER DISTILLATION, BITUMINOUS SUBSTANCES, MINERAL WAXES; 29. 13-1-(6) EX, CAMPHOR, PHENYLACETONE, OR OTHER KETONE-FUNCTION COMPOUNDS; 29. 42-3-(2)

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CAFFEINE, NICOTINE SULPHATE, OR OTHER VEGETABLE ALKALOIDS; 33. 01-1-(3) EX, PEPPERMINT OIL, SPEARMINT OIL, ROSE OIL, JASMINE OIL, OR OTHER ESSENTIAL OIL; ETC.

4. FONOFF REPS SAID MOST FREQUENT CRITICISMS OF JAPAN'S GSP SCHEME LEVIED BY BENEFICIARY COUNTRIES WERE AS FOLLOWS:

A. NUMBER OF ITEMS IN BTN 1-24 INCLUDED IN SCHEME'S POSITIVE LIST SHOULD BE EXPANDED. THIS IS DIFFICULT FOR GOJ AS MANY SUCH ITEMS ARE SENSITIVE PRODUCTS SUBJECT TO QUANTITATIVE RESTRICTIONS.

B. CEILINGS FOR ITEMS IN BTN 25-99, COMPUTED FROM BASE YEAR OF 1968, SHOULD BE ENLARGED BY CHOOSING MORE RECENT BASE YEAR, ESPECIALLY SINCE CEILINGS ARE FREQUENTLY WAIVED ANYWAY UNDER FLEXIBLE ADMINISTRATION PROCEDURES (SEE ABOVE). MITI IN PARTICULAR LIMITED OFFICIAL USE

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RESISTS THIS, HOWEVER, PREFERING TO RETAIN THE FLEXIBILITY.

5. IN CLOSING, NISHIKAWA ASKED WHETHER COPY OF TRANSCRIPTS OF INTERNATIONAL TRADE COMMISSION HEARINGS ON UNITED STATES GSP COULD BE PROVIDED FOR STUDY OF GOJ. BEGIN UNDERLINE ACTION REQUESTED: END UNDERLINE: DEPT ADVISE RE AVAILABILITY OF HEARING TRANSCRIPTS.

6. EMBASSY POUCHING COPY OF MOST RECENT EXPLANATORY BOOKLET QTE JAPAN'S GENERALIZED SYSTEM OF PREFERENCES UNQTE TO ADDRESSEES UNDER

COVER AIRGRAM.
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